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# The “Reset”: Theory, Results, Future

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New Economic School  
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# Point of Departure in 2008

- **Drift in U.S.-Russia Relations**
- **Iraq War**
- **Conflicts Regarding European Security**
- **Economic Recession**

# 2009: The Obama Administration's Policy Review on Russia = The “Reset”



# Theory of the “Reset”

- 1. U.S. and Russia Share Common Interests**
- 2. Need to Develop a Multi-Dimensional Relationship: Security, Economy, Society**
- 3. Increased Engagement Is the Means to Produce Win-Win Outcomes**

# Theory of the “Reset” (2)

## 4. Can practice **Dual Track Engagement**:

- Engage Russian government
- Engage Russian society

## 5. Can reset relations with Russia while maintaining our relations with other countries

## 6. Can avoid linkage of unrelated issues

# Means for Pursuing Reset

- Deepen Interaction between Top Officials.
- Structure Government-to-Government Engagement (BPC).
- Create Conditions for Increased Trade and Investment.
- Facilitate More Society-to-Society Contact.



# Increased Interaction between Top Officials Moscow, July 2009





Moscow, July 2009



# Washington, June 2010





# Moscow, March 2011



# Bilateral Presidential Commission: 20 Working Groups

2012 Joint Report: <http://www.state.gov/p/eur/ci/rs/usrussiabilat/186831.htm>

- Policy Steering Group
- Agriculture
- Arms Control and International Security
- Business Development and Economic Relations
- Civil Society
- Counternarcotics
- Counterterrorism
- Defense Relations
- Education, Culture, Sports, and Media
- Emergency Situations
- Energy
- Environment
- Health
- Innovation
- Intelligence
- Military Cooperation
- Nuclear Energy and Nuclear Security
- Science and Technology
- Space Cooperation
- Rule of Law

# ENGAGING BUSINESS

## Obama and Medvedev Meeting with Russian and American CEOs





# Putin Meeting Exxon-Mobil CEO Rex Tillerson



# Medvedev Meeting with Investors





# ENGAGING CIVIL SOCIETY



# Washington, July 2011





# ENGAGING RELIGIOUS LEADERS





# ENGAGING POLITICAL LEADERS



# ENGAGING POLITICAL LEADERS



# ENGAGING POLITICAL LEADERS AND CIVIL SOCIETY





# ENGAGING SOCIETY DIRECTLY

(not mediated through media or NGOs)



# ENGAGING YOUTH





# Fostering Peer-to-Peer Dialogue Between Americans and Russians

- Civil Society Summits
- Civil Society Participation in BPC working groups
- Exchange Programs for environmental experts, health specialists, human rights advocates, business leaders, etc.

# PEER-TO-PEER DIALOGUE



# RESET RESULTS





# Security





# New START Treaty

- Entered into force in February 2011
- Limits each side to:
  - 1550 deployed warheads
  - 700 deployed delivery vehicles
  - 800 deployed and non-deployed ICBM launchers, SLBM launchers, and heavy nuclear bombers
- Strong verification including:
  - On-site inspections (18 per year)
  - Data exchanges and exhibitions

# Afghan Transit and Northern Distribution Network Contributing to Stability in Afghanistan



# Afghan Transit and Northern Distribution Network (NDN)

## – Afghan Transit

- Up to 4,500 U.S. flights annually
  - 2,180 U.S. flights as of May 8, 2012
  - 369,104 U.S. personnel and troops transited Russia
- Russia considers offering use of air facility to U.S. to aid in combating terrorism

## – NDN

- Expanded ground and rail transit through Russia, including reverse transit
- 47,711 containers delivered of lethal and non-lethal equipment
  - 53% of sustainment cargo goes through the NDN
  - 75% of supplies transiting NDN go through Russia
  - Over 50,000 containers shipped across Russia



# Cooperation on Afghan Security

The background of the slide features a blue-tinted photograph of two Mi-17 helicopters in flight. The helicopters are positioned diagonally across the frame, with one in the foreground and another slightly behind it to the right. The image is semi-transparent, allowing the text to be overlaid clearly.

- Supplies
  - Fuel
  - 21 Mi-17 helicopters, option to purchase additional units
  - Small arms
- Counter-Narcotics Cooperation
- Intelligence Information Exchange

# Other Military Cooperation

- Russian Black Sea task force takes part in NATO drills off Spanish coasts – first time Russian sub has participated in any NATO exercise
- Russian Air Force pilots will take part in a joint U.S.-Russian military exercise for the first time
- Improved information exchange on military exercises

# Iran

- **2009: Jointly Developed IAEA Tehran Research Reactor (TRR) Proposal**
- **2010: UNSC Resolution 1929**
  - Restricts Iran's nuclear activities
  - Restricts ballistic missile and conventional military activities
  - Restricts military sales to Iran
- **2012: Close Cooperation in the P5+1**



# North Korea (DPRK)

- UNSC Resolution 1874 (June 12, 2009)
  - Russia and U.S. supported in response to a May 25, 2009 DPRK underground nuclear test
- Tightened inspection regime against North Korea (high seas, sea ports, airports)
- Blocked funding for nuclear and missile proliferation activities
- UNSC Presidential Statement (April 16, 2012)
  - U.S. and Russia condemned the DPRK's rocket launch on April 13, 2012.

# Counterterrorism Cooperation

- Presidents issue Joint Statement on Counterterrorism Cooperation at Deauville Summit (May 2011)
- Vigilant Eagle Exercises (2010 and 2011)
  - NORAD and Russia enhance coordination and partnerships to ID, intercept, and follow a suspected hijacked aircraft
- In May 2012, for first time ever, Russian Paratroopers take part in a counterterrorism exercise at Ft Carson

# Russian and American Troops Training Together





# Cybersecurity

- Exchange information on technical threats from botnets
- Exchange views on each other's military's views of operating in cyberspace
- Establish 24/7 systems allowing U.S. and Russia to communicate about cybersecurity issues via existing crisis prevention communication links

# Lock Down of Nuclear Materials

- **HEU Removal**

- Cooperating to remove Russian-origin HEU from third countries and return to Russia, including all HEU from Ukraine in March 2012.

- **HEU Downblending**

- As of December 2011, verifiably downblended 442 MT of former Soviet weapons-origin HEU (enough for approximately 17,698 nuclear weapons) for peaceful use in U.S. power plants, providing 10% of U.S. electricity. A total of 500 MT is to be eliminated by 2013.

- **Plutonium Disposition**

- Signed amendment to agreement to dispose of enough US and Russian surplus weapons plutonium for approximately 17,000 nuclear weapons.

# NATO-Russia

- **Afghanistan**
  - Two-way transit arrangement
  - Ulyanovsk Transit Center - will provide air/rail option for moving non-lethal supplies out of Afghanistan
  - Expanded counternarcotics training to include Pakistan and broaden scope of cooperation with Central Asian countries
  - Development of an NRC Helicopter Maintenance Trust Fund
- **Expand Counterterrorism Cooperation**
  - Joint technology development to detect explosives
  - Countering threats to civil aviation
  - Enhanced information exchange
- **Expand Counter-Piracy Cooperation**
- **Talks on Missile Defense Cooperation**



# ECONOMY



# WTO

- Represents completion of longest (18 year) accession process in WTO history
  - Unprecedented U.S. support for Russia's bid
- Russian accession agreement includes steps to liberalize both goods and services sectors
  - Creates a more competitive, transparent Russian economy
- Accession creates the conditions to expand trade and investment between Russia and U.S.
  - Some studies estimate doubling of trade in the medium term.

# 123 Agreement

- Permits export of nuclear materials and equipment by U.S. firms to Russia, subject to robust technology transfer reviews
- Enables both countries to jointly develop proliferation-resistant technology
- Facilitates export of Russian-origin enriched uranium or fuel assemblies by U.S. firms (USEC, Westinghouse) to third countries
- Facilitates direct contracts between U.S. and Russian nuclear firms
- Allows joint bids on civil nuclear projects



# U.S.-Russia Trade

## \$42.9 billion in 2011, Highest Ever



# U.S. Investment in Russian Economy (1)

- **John Deere:** Opened new \$125 million assembly and parts distribution facility in April 2010
- **Coca-Cola:** Invested over \$80 million to develop Russia business in June 2010; company has 14 plants and over 60 distribution centers in Russia
- **Burger King:** Opened first restaurant in Moscow in January 2010
- **Subway:** Entered market in December 2009. Plans to expand shops from 78 to 1000 by 2015
- **Kimberly-Clark:** Opened \$170 million plant in June 2010 to produce diapers
- **Ford:** Formed a joint venture in June 2011 with Russia's Sollers, planning to invest \$1.2 billion

# U.S. Investment in Russian Economy (2)

## **Boeing:**

- 50 737s to Russian Technologies:
- 16 777s to Aeroflot
- 4 787s to Transaero
- \$9.7 billion in firm orders since 2010

**Cisco:** \$1 billion investment in high-tech sector

**PepsiCo:** \$3.8 billion investment in Wimm-Bill-Dann

**Exxon-Mobil/Rosneft:** Investments potentially up to \$500 billion; Strategic agreement gives Exxon access to oil deposits in Arctic and Black Sea. Initial investment will be \$3 billion for first-phase exploration.

**GE:** New Joint Ventures in Energy and Health Care

- Could drive \$10-15 billion in new sales for GE

# Russian Investment in the U.S.

## Economy

- From 2004 to 2009, Russian FDI in the U.S. increased from \$420 million to \$7.7 billion
- Russia's FDI stock dropped to \$4.4 billion through 2010, due primarily to major divestitures of Russian steel companies





# Cooperation on Innovation

- **Parallel Business Summits (July 2009, June 2010)**
- **President Medvedev Visit to Silicon Valley (June 2010)**
- **Governor Schwarzenegger Leads Technology Delegation (October 2010)**
- **Innovation Working Group**
- **Rule of Law Working Group**
- **MIT-Skolkovo Partnership**

# SOCIETY

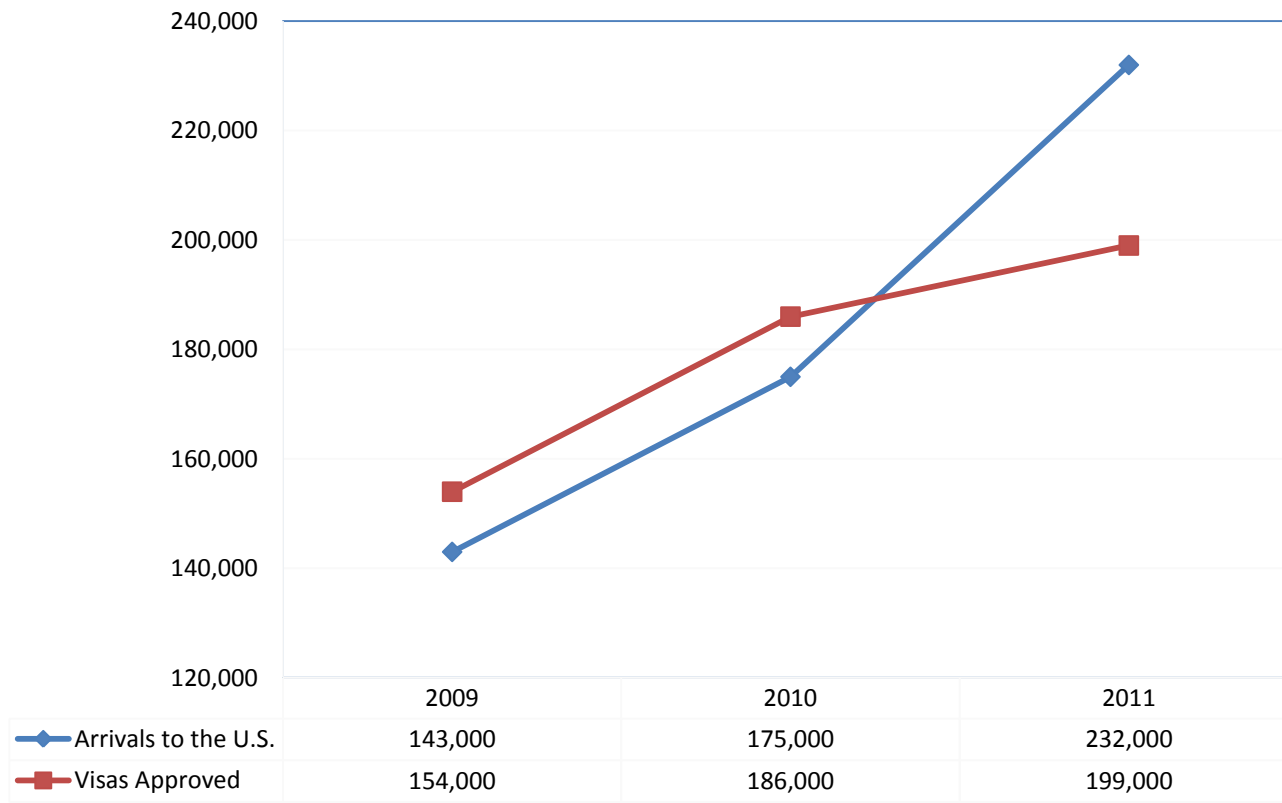


# Growing People-to-People Connections

- **New Agreement on Visas** (July 2011)
  - Tourists and businesspeople will receive three-year, multiple-entry visas to visit the other country
- **Adoption Agreement** (July 2011)
  - Enhanced provisions for protection of adoptees
- **“American Seasons”** (2011-2012)
  - Chicago Symphony Orchestra
  - Herbie Hancock
  - Wylie and the Wild West
  - John Forte
  - Annie Leibovitz
  - Bill T. Jones

# Increased Travel to the U.S.

**Recent Russian Travel to the United States**





# Fields of Unnoticed Cooperation

- Space
- Health and Science
- Environment and Energy
  - Smart Grid Partnership Program
- Text4Baby Russia
  - Delivers free mobile text messages to Russian mothers

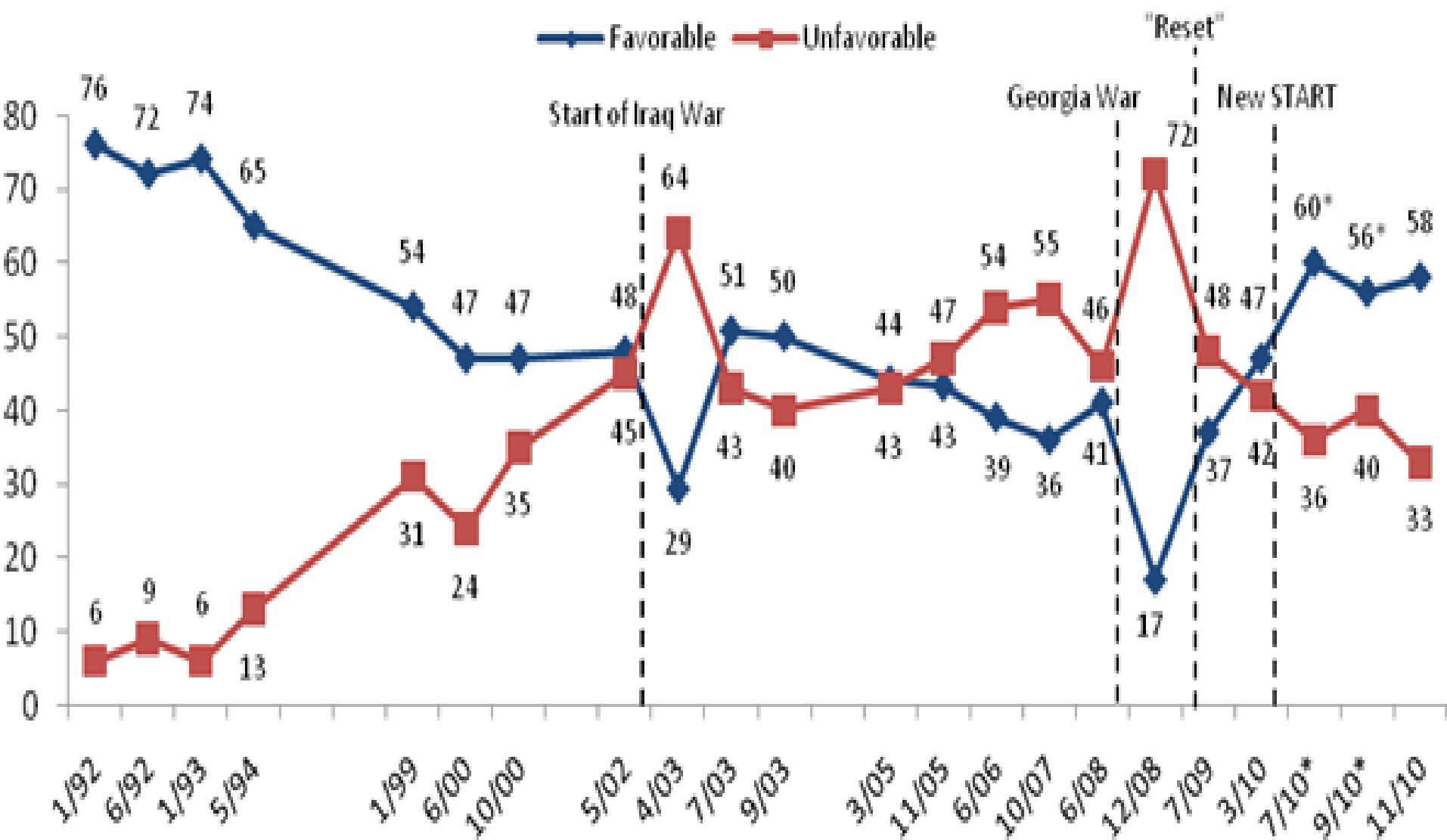


# Societal Attitudes Improving

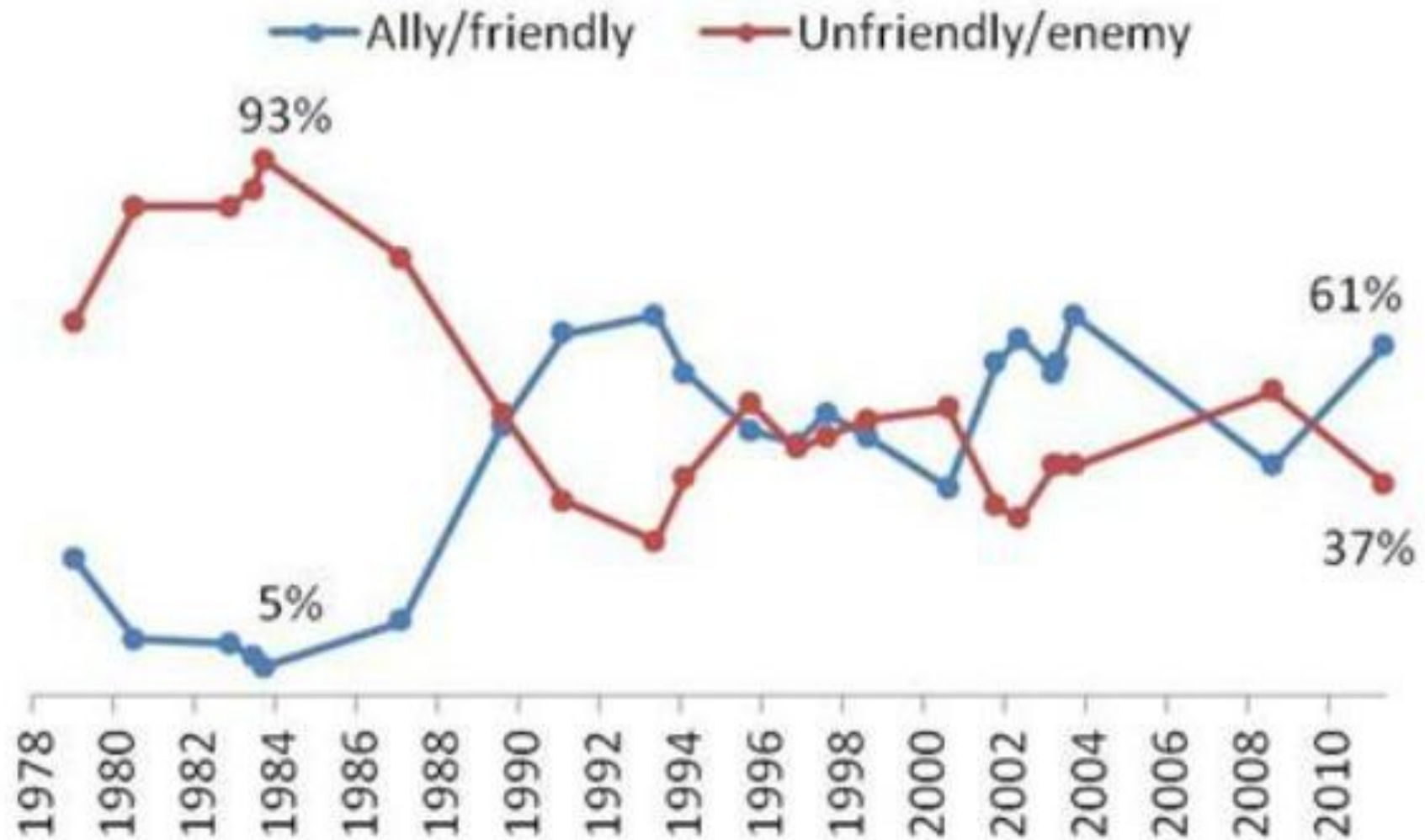
- Russian favorable attitudes toward the U.S. increasing.
- American favorable attitudes toward Russia increasing.

## Figure 1: Russian Favorable Views of the United States Hit Highest Point in 10 Years

Q: Please tell me whether, in general, you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of the U.S.? (%)



## Russia: friend or foe?

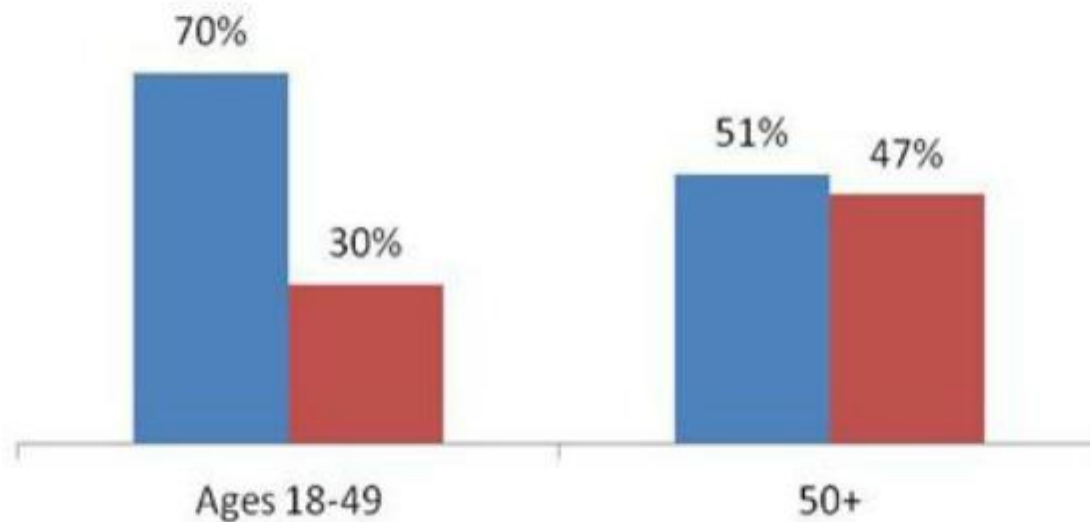


Sources: CNN/ORC (2011), Post-ABC (2002, 2008), CBS (2007), Harris (1979-2001).



## Younger Americans more positive on Russia

■ Ally/Friendly ■ Unfriendly/Enemy



Source: CNN/ORC poll May 2011.

# Agenda for the Near Future: Issues

- Increasing Trade and Investment
- Syria
- Nonproliferation (Iran and DPRK)
- Missile Defense

# Agenda for the Near Future: Approaches

- **Avoiding Zero-Sum Competition**
- **Managing Differences in Discussions over Common Values:**
  - Sovereignty and Universal Values
- **Getting Beyond Cold War Stereotypes**

# Reset Continuity

- In last three years, over two dozen major accomplishments
  - Compared to previous historical periods, the most active period of cooperative outcomes in U.S.-Russian relations
- For the Obama administration, this record of achievement demonstrates the benefits of continuing with the “reset”



# Let's keep talking



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